



# Personal Budgeting

Workbook





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## Introduction

Budgeting is an important skill that anyone can learn. A personal spending plan, or budget, can be an empowering financial tool. By taking the time to work out a plan of where your money comes from and where you spend or save it, you are gaining the knowledge and skills you need to make smart financial decisions.

Think back to your very first payday. Did it come with instructions on how to manage it? Instructions seem to be included with even the simplest of everyday items today, and yet, with something as important as managing our money, we're left to figure it out on our own. Like driving a car or playing a sport, the skill of managing your money must be learned. Doing so usually pays immediate benefits.

You might not earn more money if you budget well. However, if you budget well, you will be able to use the money you do have wisely. Someone who manages their money has *peace of mind* and knows how to:

- Pay for their living expenses
- Keep debts to a manageable level
- Save for the extras that make life more enjoyable, such as holidays
- Avoid constant money anxiety

The aim of this workshop is to provide you with the skills, tools, information and confidence to manage your income and spending to reach your financial goals, whatever they might be. You will come away from this workshop with your own personal budget plan plus some tips and tricks on managing your money.



### *Take the Money Management Quiz:*

- |  |                                   |
|--|-----------------------------------|
| 1. <i>I pay my rent/mortgage and utility bills on time</i> | <i>Always   Sometimes   Never</i> |
| 2. <i>I save at least 10% of my income</i>                 | <i>Always   Sometimes   Never</i> |
| 3. <i>I plan ahead for big expenses such as holidays</i>   | <i>Always   Sometimes   Never</i> |
| 4. <i>I set money goals and keep track of my expenses</i>  | <i>Always   Sometimes   Never</i> |
| 5. <i>I pay off my credit card in full each month</i>      | <i>Always   Sometimes   Never</i> |

**Disclaimer:** *This workbook is for informational purposes only and does not constitute professional legal, taxation, or financial advice. Please obtain your own independent legal, taxation and financial advice for information specific to your individual circumstances.*





### What is a Budget?

Budgeting is simply the process of creating a plan to spend your money. This personal spending plan, or personal budget, allows you to work out in advance whether you will have enough money to cover the things you need and want to do. If you find that you don't have enough money to cover these things, then you can use this planning process to prioritise your spending and focus on the things that are most important to you.



*Budgeting is the skill of balancing your expenses with your income*

It's important to note what a budget is NOT. It is not about making cut-backs, it's about re-directing your money to the things that are most important to you. Nor is it meant to be constrictive or rigid. Like any good plan, it needs to adapt as your circumstances change.

### Why have a Budget?

Lack of money management skills or living on a low income are no excuses for not doing a budget. Creating a budget allows you to put together a spending plan for the money that you have. Through budgeting, you can **ensure that you will always have enough money for the things you need**, and enough money for the things that you would like, that are most important to you.

Following a spending plan will also ensure you avoid getting into debt, or help you to work your way out of debt if you currently owe money. It will also help you to become clearer on other related decisions. For example, whether you need a flatmate if you plan to go travelling to Europe, or whether you need to save for study to help you get a higher paying job.

Working out a personal budget will also help you identify what you spend your money on and if there are any 'leaks' in your spending habits. Leaks are the things that only cost a few dollars here and there, however over a period of time can add up to a significant amount of money.





## Getting Started

There are six basic steps to setting up and using a budget:

1. Set realistic money goals
2. Identify your income and expenses
3. Separate your needs from wants
4. Build your budget
5. Monitor your budget
6. Review your budget

### Step 1: Set realistic money goals

Budget planning begins with setting your financial goals. What do you want to buy with your money?

Most goals require you to do some planning ahead if they are to become a reality. Which goals are most important to you? When do you want to reach them? It may be helpful to group your goals into categories based on the timeframe: short-term, mid-term and long-term goals.

Next, rank them in order of importance and estimate the cost involved. This simple exercise of setting out your goals will serve as the foundation of your budget and give you an incentive to keep on track.

#### *If it is important to you to...*

*live without money worries  
spend time travelling  
enjoy camping with friends  
drive a particular kind of car*

#### *Your goal may be to...*

*pay off credit cards or save for a rainy day  
build up savings to take a holiday  
buy camping gear with money you've saved  
save up a deposit*



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## Exercise 1: Goal-setting

Go to the Goal setting tab in your Excel spreadsheet and complete your short-term, mid-term and long-term financial goals.

Goal	Estimated Cost	Target Date
Note the order of importance (most important to least)		
Total Estimate	\$0	
Total Monthly	\$0	

## Step 2: Identify your income and expenses

Once you have established some goals for how you would like to manage your money, it's time to work out where your money comes from (your income) and where it goes right now (your expenses).

What is your income and how much do you spend?

Start by making a list of all your sources of income and the amounts. Include everything; your pay, National Sporting Organisation (NSO) allowances, Direct Athlete Support (DAS) payments, Centrelink payments and investments. Compiling this list is the easy part.

Identifying where you spend your money is a bit harder. It can be difficult because for most people they are unclear where their money goes. Spending includes everything you spend your money on such as rent, food, electricity, gas, phone, and so on. It also includes savings for financial goals, debt payments and insurance premiums.

One of the things that can impact on our ability to manage our money is what is known as spending 'leaks'. Think of your money as water in a bucket. One giant hole in your bucket is easy to notice and you can see the water (your money!) draining out quickly! However, one small hole or leak, is likely to go unnoticed with the result being a slow but steady leak. Lots of small leaks can have the same effect as a giant hole.

Let's take the example of a daily coffee:



Every week:



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Every year:



$$\times 52 = \$1,820$$

If you had \$1,820 in your pocket right now, what would you choose to spend it on?

### Exercise 2: Track your spending

Record *everything* you spend money on for a period of two weeks. Include everything, even \$2 for a parking meter.

There are many ways to track your spending. Below are three (3) suggestions you might want to try:

1. Using an app on your phone
2. Downloading your bank transactions into a spreadsheet

If you have online banking, there will be instructions on how to download your bank transactions into a spreadsheet.

3. Manually record your spending in a spreadsheet

There is a spreadsheet to track your expenses in the Excel workbook you have been provided with.

If the none of the above suits you, a notebook and pen will do just fine as well.

The important thing is to track all your spending for two (2) weeks to find out where your money is going. Remember, this is a learning exercise to find out what you are currently doing with your money, not a judgement on how you are spending it. Try to do the best you can; chances are you may be surprised by what you find.

### Step 3: Separate needs from wants

As you start to track your spending you might discover that some of your money gets used for things you don't really need. Instead, it could be you simply want them and often buy them impulsively. Impulsive spending is unplanned spending; buying things that you may or may not need, or spending more on an item than you had planned.



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There are lots of reasons as to why people spend impulsively. Have a think about the times you have bought something on impulse. Was it because you were in a good mood? Bad mood? Or was it a special occasion? Whatever the reason, impulse spending is *unplanned* spending.



The key to successful money management is separating what you actually need from what you just want. If you are unsure whether something is a need or a want, do without it for a set period of time. If at the end of that time you decide that you absolutely can't live without it, it may be a need. However, even the essentials in life such as shelter or transportation involve making a want vs need decision. For instance, you may have looked at all possible transportation methods for you to get to work, school or training and decided that you need to buy a car. That decision is fine, but which car you buy is another choice. Do you buy the new more expensive SUV that you want, or will a less expensive, more fuel-efficient car meet your need?



### Step 4: Build your budget

Keep your budget simple and relevant to you. How you actually set up your budget is a matter of personal choice.

Your budget will be unique to your individual circumstances. There is no single way of thinking that suits all circumstances. Nevertheless, every good budget should have the following basic features that make it work. Your budget must be:

- Realistic - Setting tight spending limits that you have no hope of meeting will set you up to fail.
- Comprehensive and concise - It must include all spending that you can predict over the course of a year, but the list should not be so detailed that you will have to spend hours keeping your records up to date.
- Flexible - As you work with it, you may find that your original format and estimates can be improved.
- For an extended period – This is typically one year, and expenses should be segregated into shorter periods of usually calendar months.
- Well-organised - You should be able to easily review your entries; If you can't, you will make mistakes and after a while may find it all too hard to work with your budget.
- A family commitment - Your budget requires commitment from everyone who contributes to household income and expenses. If you have a spouse, companion or children, involve them in budget discussions.



#### *Stop and think*

*Don't spend more than you earn  
Take control  
Pay yourself first  
Protect your income and assets  
Shop around for value*

*Develop healthy spending habits  
Need or want?  
Make it a habit to save  
Plan your budget  
Keep it simple*



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## Exercise 3: Build your budget

Let's bring all the basics together and build your budget!

In the previous steps we talked about three (3) important factors in managing your money:

### 1. Needs

The things needed to keep you (and your family) going on a day to day basis.

### 2. Wants

The things that make you smile. Allow yourself a little "mad money" to spend that you don't track. This can be a good way of helping you to stick to the plan!

### 3. Goals

The future based on your short-term, mid-term and long-term goals.

Therefore it makes sense to build your budget with these three (3) factors in mind. Think of them as three (3) buckets (without leaks!).

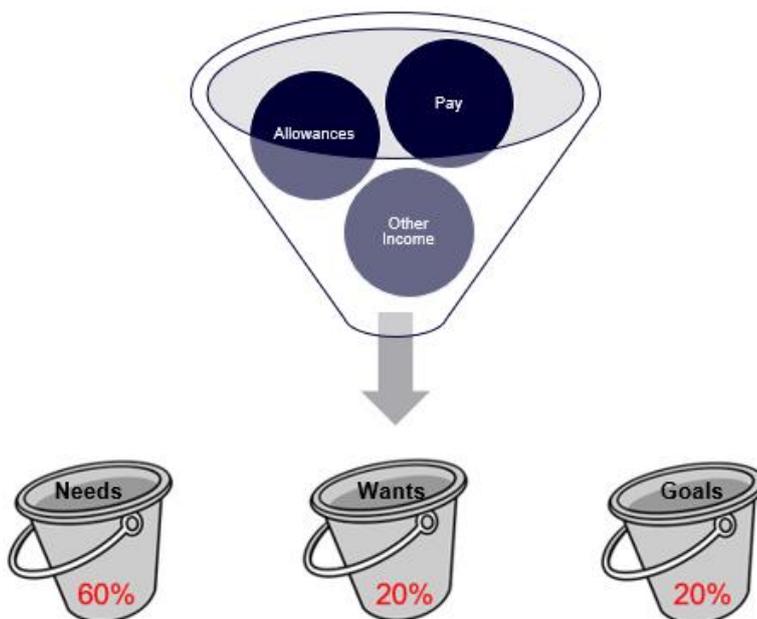
Funnel your income into each of these buckets. A useful rule of thumb is:

60% - Needs

20% - Wants

20% - Goals

### The Three Buckets



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Go to the My Personal Budget tab in your Excel workbook to begin building your budget.

The first stage in this exercise is to work out how much money you need on a weekly basis to fund your everyday needs – the things you need to keep you going. Enter your income from all sources and all your everyday expenses. The aim is to have a surplus left over to distribute to your remaining 2 buckets; Wants and Goals.

*Make sure that your expenses are less than your income.* If you find yourself where your expenses are more than your income, in other words a deficit, you need to make some choices based on what you learned when you tracked your spending and separated your needs from your wants.

Are there some ways you can trim your expenses?

- Do you have any spending leaks?
- Compare gas and electricity prices from different companies
- Are you getting the best deal on your mobile phone?
- Switch to a fee free bank account
- Do you have direct debits set up for things you no longer use?

Another important component to consider when building your budget is cashflow. Cashflow is the amount of money moving in and out of your bank account. Money coming in and out of your bank account doesn't conveniently happen in the same frequency. For example, you may be paid weekly, however your phone bill is paid monthly. This means you will need to leave enough money for one quarter of your phone bill in your bank account each week to make sure you have enough money in your account to pay your monthly phone bill.

Working out how much you need on a weekly basis for your everyday expenses will help you work out your cashflow. For example, if you need \$200 a week to cover everyday expenses then think about setting up a separate bank account just for expenses and transferring \$200 per week into that account.

## Step 5: Monitor

When you first build your personal budget, you are going to need more time monitoring it to ensure that it is based on a realistic estimate of your income and expenses. It will take about a month to start falling into place.

Review your bank accounts regularly. Not only will you keep track of money coming in and out, you can also look for any unexpected transactions.

After a couple of months you will work out some of the kinks and your budget will start becoming a routine part of your daily thinking. Everything will fall into place more easily.

However, if it isn't quite working, ask yourself a few questions:

- Did I calculate my income correctly?
- Have I recorded all of my expenses?
- Do I need to have a look at some of the estimates I made?
- Did I give it a fair chance?
- Do I need professional help from a financial counsellor or accountant?



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### Step 6: Review

After a period of time, usually a year, you will need to review your budget. Things change and this means the spending plan needs to change.

Perhaps you have had changes in your personal life such as a new job, a promotion or a return to study. Other changes could be as a result factors outside your control, such as increased petrol prices or bus fares. Or perhaps your goals have changed.

As you become more in the habit of managing your money more actively and effectively, your plan will soon feel natural. It will develop to become a part of 'how you do things' and an opportunity to reward yourself when you reach your goals. Be aware that some of the six steps may blend together a little or you may add a step to make it easier for yourself.

Remember that life happens; while you want to stick to the plan as much as possible, allow yourself permission to make changes that will benefit you and your family. Having a spending plan with a solid foundation will allow you to come out ahead in money matters for life.

Happy budgeting!

